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Intelligence Memorandum

*Prospects for the 7th Special
Session of the UN General Assembly*

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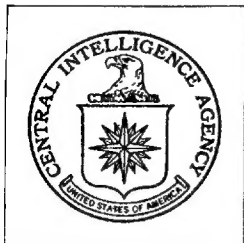
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**Prospects for the 7th Special
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Summary

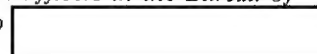
The 7th Special Session of the UN General Assembly on economic cooperation and development that convenes in New York on September 1 will provide an opportunity to reverse the pattern of increasing confrontation between developing and developed countries that has marked major international gatherings on economic issues in the last several years. Failure of the session to produce even limited agreements on issues of importance to the developing states may aggravate the political atmosphere at the regular General Assembly. An abortive Special Session will not only affect the outcome of such issues as the suspension of Israel, but would damage prospects for subsequent, smaller international discussions where the developed countries hope to work out realistic policies on a broad range of issues.

Preparations for the Special Session have been under way for the past year with states on all sides working to coordinate positions. The developed countries have concentrated on finding ways to respond to some of the demands put forward by the developing states, while holding the line against costly concessions. These efforts have probably produced a measure of better mutual understanding, but the lack of real progress indicates that a consensus has yet to be reached on the fundamental question of transfer of resources from the wealthy states to the poor.

Radicals among the poor insist that what they want is a larger share of the world product. Others among the poor agree with the rich, for the most part, that sustained growth is the best guarantee the poor have of developing their economies. The tone of the Special Session will largely depend on the outcome of the meeting of the nonaligned foreign ministers in Lima—which opened August 25. More than eighty participants and over twenty observers are attending the Lima conference where some developing countries may press for endorsement of "extreme" demands.

Under the leadership of Algeria, the nonaligned movement has in recent years become increasingly preoccupied with economic issues. Looming large at the Lima meeting will be the need to reach agreement on a common front for the 7th Special Session. If the nonaligned nations are able to agree on a common position in Lima, they will almost certainly not break solidarity at the UN session—even if the industrialized states subsequently present proposals otherwise acceptable to many of the developing countries.

This memorandum was prepared in the Office of Current Intelligence and coordinated within the Central Intelligence Agency. It was discussed but not coordinated with officers in the Bureau of Intelligence and Research. Comments and queries may be addressed to



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Prospects now appear to be somewhat brighter than earlier this year that the nonaligned may adopt a less belligerent line at Lima. At last month's meeting in Geneva of the UN's Economic and Social Council, those developing countries who have generally avoided rhetorical excesses were able to exert some influence over the policy of the developing-country caucus. The conciliatory atmosphere was maintained in a meeting of the Trade Development Board of UNCTAD in the week following ECOSOC and at the third meeting of the preparatory conference for the Special Session, which opened August 18. In fact, delegates to the latter meeting elected to extend the conference into the following week, so as to coincide with the Lima conference. This move may undercut attempts by states such as Algeria to use the Lima session to pick a fight with the industrialized states on issues related to the 7th Special Session. Nevertheless the Algerians should not be underestimated. In informal sessions at ECOSOC the radicals, led by Algeria, were uncompromising, and most of the less extreme developing states remain skeptical of their ability to moderate the deliberations in Lima.

A successful session—in the view of most industrialized states and the majority of developing states—would set a constructive tone for subsequent agreement on at least some contentious issues in other, more restricted forums. Few countries, in fact, expect substantive negotiations to take place during the Special Session, but most realize that a major determinant of any future negotiations will be the atmosphere created in New York.

If the voices for negotiation rather than confrontation among the developing states are to retain what little influence they have and the developing-country caucus is to be persuaded of the value of dialogue, the industrialized nations will probably have to make concessions—perhaps in the commodities field.

In the absence of what the developing countries take to be serious discussions of economic issues, the solidarity of the developing states will be reinforced, and they are likely to vent their frustrations by initiating political resolutions or pushing for UN structural changes.

The Soviets and East Europeans—with the exception of Romania and Yugoslavia—will maintain a low profile at the 7th Special Session, as they have at previous meetings dealing with these issues. They will express solidarity with the developing states but will also be careful to avoid costly economic commitments. The Chinese, for their part, will be a strong supporter of the developing countries' positions, but they will not assume a leadership position. Peking will also certainly use the session to continue its attacks on the Soviets.

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Background

The UN General Assembly formally called for the 7th Special Session in a resolution adopted at its 28th session in December 1973. The initiative for the meeting, however, came from the nonaligned movement which—at its Fourth Summit in Algiers three months earlier—had proposed a special session “to be devoted exclusively to the problems of development.” At that time, the nonaligned accepted the International Development Strategy as the guide for such discussions. The IDS was adopted by the General Assembly in 1970 as the basis for the UN’s second development decade and was generally accepted by the developed countries.

Since the September 1973 nonaligned meeting, however, the position of the IDS as the cornerstone of development strategy has been superseded by a number of other—and far more controversial—documents. The 6th Special Session of the General Assembly, held during April and May 1974, promulgated the Declaration for a New International Economic Order (NIEO) and a Plan of Action to achieve it. The declaration presents the demands of the developing countries for a larger share of the world’s wealth and for greater participation in the activities of international economic forums. Despite the reservations of many industrialized states, the Plan of Action endorses unrestricted nationalization of resources, producer cartels, and the linking of export prices of raw materials to prices the developing countries pay for imported manufactured goods (indexation).

Buoyed by their success in securing approval of these documents, the developing states, during the past year, have continued to add to their canon of economic declarations.

- The Charter of Economic Rights and Duties of States, the brain-child of Mexican President Echeverria, was steamrolled through the General Assembly last year. The charter repeats many of the controversial demands of the NIEO Plan of Action and insists that each state must have permanent and full sovereignty over all its resources.
- In February a conference of nonaligned and developing states in Dakar produced another declaration and program of action that, in addition to strongly reiterating NIEO demands, called for a special fund to finance buffer stocks of raw materials and commodities and encouraged the developing states to form cartels of producer associations and an umbrella council to coordinate them.
- At the Second General Conference of the UN Industrial Development Organization (UNIDO) in Lima this spring, the developing countries passed the Lima Plan of Action setting forth the goals and demands

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of the developing states in the field of industrial development and calling for the conversion of UNIDO into a UN specialized agency.

There has been little progress in the three meetings of the preparatory committee for the 7th Special Session. The developed countries have argued that they were still working out their positions on most of the issues the developing countries wanted discussed. The developing countries, on the other hand, presented in early May their position paper, outlining and prejudging the topics they wanted discussed in September. They have accepted few changes since then.

The recent ECOSOC meeting in Geneva, nevertheless, witnessed a more cooperative atmosphere between the rich and poor nations. The Algerians—perhaps for tactical reasons—uncharacteristically remained in the background during negotiations between the developing and developed countries on an agenda for the special session, and the less radical developing states—notably Yugoslavia, Brazil, and Pakistan—were able to take the lead to accommodate some of the industrialized countries' concerns. A tentative agenda was adopted that lists the issues to be discussed without the usual political commentary. The addition to the agenda of an item on food and agriculture, a principal aim of the US, was agreed upon, and it was tentatively agreed to set up a special intergovernmental group to negotiate the statutes for UNIDO after the Special Session itself.

Although the Algerians, for the most part, permitted other developing states to conduct negotiations with the industrialized countries in the formal ECOSOC session, within the developing-country caucus itself—the Group of 77—and in informal discussions with selected developed states they took a harder line. They forcefully argued against allowing modifications of the position paper adopted by the Group of 77. A number of African countries demanded particular reference to the problems of the poorer developing countries, but the Algerians—bent on excluding issues that might divide the developing bloc—refused to include such an item and even deleted the few references to it in the original paper.

This position paper—the so-called Conference Room Paper I-Addendum—reiterates the standard complaints by the developing countries about the international economic system and presents vague solutions for its restructuring. Among the other major issues outlined in the paper are improvement of the developing countries' terms of trade, international pricing patterns, real resource transfers, international financial arrangements, and the transfer of technology.

A fundamental concern of the developing countries remains the problem of commodities, and on this issue—as on many others—the developing

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countries have been unable to come up with a unified position or a solution. While agreed that a method must be established to guarantee earnings from the export of raw materials, the developing countries are divided over the means to achieve this.

A number of approaches to the problem have been presented in different forums. The Dakar Conference endorsed producer cartels; in March the EC countries implemented a plan—favored by many developing states—that would stabilize export earnings of some products for 46 developing states associated with the EC through the Lome agreement. During the past year the UNCTAD secretariat has drafted an integrated commodity program under which a fund would be used to purchase surplus stocks of various commodities to stabilize prices on the world market.

Another basic demand is indexation, which establishes a link between the prices the developing countries receive for their raw material exports and the prices they pay for their imports of manufactured goods. The developing countries argue that their long-term development planning requires some stabilization of what they can expect to earn from exports.

The Lima Prelude

While the Algerians assumed a back seat in formal negotiations at ECOSOC, their handling of differences within the Group of 77 is probably more indicative of the approach they will take at the Lima meeting of foreign ministers of the nonaligned nations. Under Algeria's chairmanship, the nonaligned group has increasingly dominated the formulation of developing-country positions on economic issues. The nonaligned movement is smaller than the Group of 77, which in fact includes over 100 developing states. The tighter organizational structure of the nonaligned, as well as Algeria's forceful leadership, has contributed to the influence of the smaller group. Algeria has tried to capitalize on its role as a broker between the oil exporters and the developing countries to enhance its status as spokesman, but the very success of the nonaligned group is leading to competition for influence within the group.

The nonaligned foreign ministers' discussion of their joint positions for the Special Session may thus not turn out to be the expected pro forma approval of positions already worked out by the nonaligned steering committee. Among the members of the steering group itself, the only country likely to have argued for less extreme and inflexible positions was Malaysia. Confronted by such hard-liners as Senegal, Algeria, and India, any effort by the Malaysians to tone down proposed resolutions in the steering group was probably unsuccessful. The full conference, however, may tone down the steering group's position if it can avoid being dominated by the Algerians.

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Political relationships among the developing states themselves are evolving, and this may hold the most promise for less extreme demands coming out of Lima. Algeria has not gained any substantial economic concessions for its allies nor delivered much from its OPEC partners. Realization of these facts may gradually weaken Algeria's strength as a visible and vociferous advocate of economic change who has focused the attention of the industrial world on the concerns of the Third World.

Actions in two different forums recently may signal the start of this process. After African demands for accommodation of their concerns regarding the poorer states were ignored at ECOSOC, the OAU heads of state in Kampala rejected an Arab-backed resolution to suspend Israel at the next General Assembly. Many African leaders opposed to the move against Israel based their arguments on concern for the future of the UN itself. Africans in Geneva, however, in a search for bargaining power, have specifically referred to holding support or opposition to the expulsion of Israel "hostage" against getting adequate attention paid to the problems of the poorer states.

Another factor militating against a strictly hard-line position coming out of Lima may be the current world-wide depression in commodity markets, although in recent weeks some upward movement has occurred. The developing countries, in any case, are not united on an approach to the important issue of commodity prices. There are indications that to the developing states, ultimately, the stability of export prices may be more important than rigid indexation schemes.

Nevertheless, developing countries of all stripes share a common set of beliefs that their poverty is due to past exploitation and can be overcome by persistent opposition to efforts by the industrialized states to perpetuate trade and financial structures favorable only to the rich. The "radicals" and "moderates" diverge only in their perception of developed country attitudes to these beliefs. "Radicals" hold that the developed countries are consciously hostile to development efforts of the poor, while "moderates" believe that the international system works automatically to perpetuate inequality. Moderates thus allow that some degree of cooperation with industrialized states is both possible and necessary. The government-controlled newspaper of the "moderate" Ivory Coast summarized this: "...the alternative is not between the status quo and economic justice but between peaceful and violent means to economic justice."

Developed Country Perspective

The main goal of the industrialized states—essentially the 24 members of the Organization for Economic Cooperation and Development—at the 7th Special Session will be to find a way to avoid a fight with the developing

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states. They will be careful, however, not to concede too much, particularly in areas likely to be expensive to them, or to compromise their stand for future international meetings. They recognize the impact of a breakdown of the Special Session on relations between rich and poor states—in and out of the UN system—but are also mindful that the meeting is not an end in itself.

Most of the industrialized nations recognize that the results of the Lima meeting will be critical to the outcome of the Special Session and have been looking for ways to lobby for a conciliatory approach to the session.

For the developed states, the search for compromise with the developing states will focus on raw materials issues, where most industrialized states feel they can come closest to satisfying developing country demands at the least immediate financial cost. The demands of the developing countries for special financial aid, transfer of technology, increased investment together with reduced industrial country control over those investments will be harder for most OECD countries to accept. The willingness of the industrialized states to find a common ground with developing states on commodity issues will be reinforced by their desire to find ways to secure reliable access to raw materials in the future.

Guaranteed access to supplies may nevertheless be less important a factor in the thinking of the developed states than it was at the 6th Special Session. At that time commodity prices were near historic highs, and the recent success of the OPEC cartel in forcing oil price increases was viewed by developed and developing alike as readily translatable to other raw materials. In this atmosphere, under the leadership of a radical Algerian leader, the developing states seemed cloaked in an aura of invincibility.

Since that time, however, commodity prices have fallen sharply—they have recovered somewhat lately—and on further consideration many states, both developed and developing, have come to realize that the industrialized states are equally important suppliers of raw materials, that all industrial states are not import-dependent, and that not all developing states are exporters of raw materials.

Getting through the 7th Special Session without a serious fight would allow the developed states to focus their policy toward the Third World in more restricted forums where the developing states have not dominated as they have in the UN. Except for relatively restricted meetings the developed countries have been unable to achieve the same degree of unity as the developing states.

One such forum which has been viewed as a model for cooperation in other areas is the World Food Council. Established by the World Food

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Conference in Rome last November, the 36-member body was intended to give practical effect to the resolutions adopted in Rome. Those decisions, which aim at encouraging increased global food production and reserves, are regarded by the developing countries as an example of what can be achieved when rhetorical extremes are avoided.

Before the 7th Special Session, some developed states hope to set a date to resume the conference of oil producers and consumers which collapsed last April. At that time a coalition of developing states and oil producers demanded that the conference be expanded to include talks on other raw materials and the problems of developing countries. The industrialized nations resisted, but since then, most have accepted a US proposal that would establish several parallel, but distinct, commissions to negotiate these issues.

Setting a date for the new energy conference before or even during the course of the Special Session would benefit the developed states in several ways. It would allow them to point to a "concession" while, in fact, channeling future talks into more manageable forums. Setting a date would also steal some of the thunder from the nonaligned meeting and might even help develop resistance to Algerian confrontational tactics. Any early announcement might also strengthen the positions of states opposed to large oil price increases at the September 24 OPEC meeting to consider oil prices.

The industrialized states, however, are not of one mind on development or raw materials policies. Nor have they all prepared for the Special Session to the same degree. Most agree on one point—shared by most developing states: it is up to the US to take the next initiative. The Europeans and Japanese feel that the US has consistently maintained the hardest line against the demands of the developing countries, and they have only reluctantly backed the US on economic issues in UN meetings; none, in fact, voted with the US at the UNIDO meeting in Lima last April.

Among the industrialized nations, the Japanese and the West Germans maintain the most conservative policies on raw materials. Earlier this year Bonn began a review of its raw materials policy at the highest level. Some ministers—notably Egon Bahr, the development minister—argued that because West Germany relies on imports of raw materials it must do all it can to cement ties with the developing world. Other officials, who may have cited domestic political and economic constraints which would limit Germany's ability to accede to demands of the developing states, appear to have won out. German policy today remains one of being willing to talk but little more.

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Tokyo is, of course, especially sensitive to the problem of maintaining access to raw materials. Nevertheless, the thrust of Japanese policy has been to sympathize—and when possible to give the appearance of being more forthcoming than other industrialized nations—while avoiding costly concessions. Such attitudes have become transparent to most developing states and have only been successful in strengthening the arguments of those who argue that deliberate confrontation may be the only promising stance to take toward the industrialized world.

The policy of the European Community toward the Special Session has been in the planning stage since last year, but the only points on which the Nine have yet agreed are essentially restatements of German policy. In late July, the EC Council agreed to guidelines for a policy that would allow the community to “examine” individual commodity issues and to endorse a proposal to extend to all developing states, through the IMF, the EC’s own plan for helping to stabilize the earnings of developing countries from exports of certain raw materials. Germany will insist that such a scheme be financed through the sale of gold held by the IMF—something which seems unlikely at present.

The OECD states agreed at a ministerial meeting last May to establish high-level groups to examine raw materials policies and overall relations with developing states. These groups, however, have done little to prepare for the Special Session, having focused instead on the long term. This means that the industrialized states will have to rely on ad hoc consultations during the session to coordinate policy. It also means, however, that they will depend on the US to take the lead in framing positive initiatives to keep a dialogue going with the poor on development issues.

Notwithstanding the attempts of the industrialized states to avoid substantial commitments in New York, real movement on raw materials and development issues will eventually be necessary. If the moderate developing states in fact do blunt the Algerian offensive at Lima and at the Special Session, they will be on the spot to show other developing states that they can gain concessions not possible through Algeria’s confrontational approach. In the absence of any significant concessions, the radicals’ argument for a return to confrontational tactics will be irrefutable.

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The Members of the Nonaligned and Group of 77

Membership of the nonaligned group (*) and of the Group of 77—the caucus of developing states in the UN system—is difficult to establish because neither group is rigidly structured and because status of membership sometimes varies with changes in political regimes. In addition, UN membership is not necessarily a prerequisite to membership in either group. This list counts 84 members of the nonaligned group and 105 members of the Group of 77.

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*Afghanistan	*Ethiopia	*Mauritania
*Algeria	Fiji	*Mauritius
*Argentina	*Gabon	Mexico
Bahamas	*Gambia	*Morocco
*Bahrain	*Ghana	*Mozambique 1
*Bangladesh	Grenada	*Nepal
Barbados	Guatemala	Nicaragua
*Bhutan	*Guinea	*Niger
Bolivia	*Guinea-Bissau 1	*Nigeria
*Botswana	*Guyana	*Oman
Brazil	Haiti	Pakistan
*Burma	Honduras	*Panama 4
*Burundi	*India	Paraguay
*Cambodia	*Indonesia	*Peru
*Cameroon	Iran	Philippines
*Cape Verde	*Iraq	*Qatar
Islands	*Ivory Coast	Republic of
*Central African	*Jamaica	Korea
Republic	*Jordan	*Republic of
*Chad	*Kenya	Vietnam
*Chile 2	*Kuwait	*Rwanda
Colombia	*Laos	*Sao Tome
*Congo	*Lebanon	Principe 1
Costa Rica	*Lesotho	*Saudi Arabia
*Cuba	*Liberia	*Senegal
*Cyprus 3	*Libyan Arab	*Sierra Leone
*Dahomey	Republic	*Singapore
*Democratic Yemen	*Malagasy Republic	*Somalia
Dominican Republic	*Malawi 2	*Sri Lanka
Ecuador	*Malaysia	*Sudan
*Egypt	Maldives	*Swaziland
El Salvador	*Mali	*Syrian Arab
*Equatorial Guinea	*Malta 3	Republic

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Thailand	*United Arab	Venezuela
*Togo	Emirates	Western Samoa
*Trinidad and	*United Republic	*Yemen
Tobago	of Tanzania	*Yugoslavia
*Tunisia	*Upper Volta	*Zaire
*Uganda	Uruguay	*Zambia

1. New States that are listed as attending the Lima conference of nonaligned foreign ministers as members.

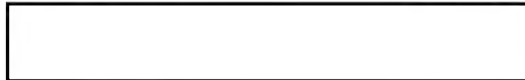
2. Nonaligned members that are not attending the Lima conference.

3. Cyprus and Malta are members of the nonaligned group but not of the Group of 77.

4. The Democratic Republic of Vietnam, North Korea, Panama, and the Palestine Liberation Organization became members of the nonaligned group on August 25, 1975.

Members of the Organization for Economic Cooperation and Development (OECD)

Australia	Iceland	Spain
Austria	Ireland	Sweden
Belgium	Italy	Switzerland
Canada	Japan	Turkey
Denmark	Luxembourg	United Kingdom
Finland	Netherlands	United States
France	New Zealand	*Yugoslavia is a
West Germany	Norway	member with
Greece	Portugal	special status



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